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13 OCT 1976

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OTR AUDIT

MEMORANDUM FOR: Chief, Audit Staff, OIG

FROM : Harry E. Fitzwater
Director of Training

25X1A

SUBJECT : [REDACTED] Audit Report,
1 May 75 - 31 May 76

REFERENCE : Memo for DTR from Chief, Audit Staff, O/IG
dtd 30 Aug 76 (OTR 76-2792), Subject:
Reports of Audit

1. The following is in response to the recommendations contained in referent audit report. The responses are keyed to the recommendations in the report.

GSI SALES STORE

Recommendation #1: Acquire a new cash register for the GSI Sales Store.

Comment: We have acquired a new cash register that (a) produces a customer sales tape, (b) provides a visual display of the amount of the sale, and (c) provides control over the entire function by more than one on/off key-lock switch.

Recommendation #2: Require GSI to value inventory at cost for the purpose of determining the correct gross profit on sales.

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Comment: GSI assumed responsibility for the Sales Store operation in 1965. As indicated in Attachment 1, which is a brief statement from the GSI Manager at the [REDACTED] the comptroller of GSI designated the accounting guidelines under which the Sales Store operates. It is our understanding that this system is used by GSI in 137 other GSI retail outlets.

We admit that the procedures being used in the Sales Store operation are not technically correct from an accounting standpoint; however, this activity

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is not profit-motivated and by regulation must not operate at a loss. Therefore, minor differences in the percentages of profit are not considered important as long as the percentage remains within certain parameters, i.e., 10% - 20%. We can readily determine if the Sales Store is operating at a profit, based on the invoices that we pay and the amounts of money turned in to our Finance Office. Even if we were to change the profit and loss statement to reflect "costs", as opposed to retail, we would not get the true cost of goods sold. The reason for this is that the prices of some items in the inventory would fluctuate during the quarterly period but we would have to use a fixed cost that would either be the cost of the last purchase or an average of all the costs for the period. We do not suggest that we continue to utilize both retail and cost figures but we do believe that the use of retail figures, for both the inventory and the purchases will provide us with the data required to assure that we remain within the parameters mentioned above and will permit the GSI Manager to report in a manner compatible with other GSI outlets.

For your information we have included, as Attachment 2, the Sales Store Quarterly Report for the quarter ending 30 June 1976. In accordance with informal discussions already held with members of your staff, we request that you reconsider the necessity of valuing the Sales Store inventory at cost. We have already initiated procedures to eliminate the mixture of retail and cost figures on the profit and loss statement. Pending the requested reconsideration, we will record both the inventory and the purchases at retail.

PROPERTY

Recommendation #3: Complete the Annual Inventory of Station property and updating of the CMR files.

Comment: The Annual Inventory has been completed and the CMR files have been updated.

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Recommendation #4: Transfer responsibility for all Station communications property to the newly assigned Communications Officer.

Comment: All accountable communications property has been inventoried and picked up on a CMR and signed for by the Deputy Chief, Supply Section [REDACTED]. We are in the process of transferring appropriate communications property to the CMR Account of the recently assigned Communications Officer.

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MOTOR VEHICLES

Recommendation #5: Physically dispose of MV8131, MV8378 and MV8227 or justify their reinstatement on the TVA.

Comment: A memorandum was forwarded to the Chief, Supply Division/OL via the DTR on 19 Aug 76 [REDACTED] 76-6532) which explained why the 90-day vehicle disposal limitation was not met. MV8131 and MV8227 have subsequently been disposed of. In view of its relative condition we have been authorized to reinstate MV8378 on the TVA in lieu of MV8316 which had been deadlined and has now been disposed of.

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Recommendation #6: Assign the responsibilities of keeping the Motor Vehicle Usage and Maintenance Records solely to the Transportation Section.

Comment: Duplicate vehicle usage and maintenance records are no longer being maintained. Responsibility for keeping these records now rests solely with the Transportation Shop of the Public Works Section.

2. As indicated above, it is recommended that you consider authorizing the GSI Sales Store accountings to be submitted using compatible retail figures for both inventory and purchases. We will follow this procedure until we receive further guidance from your office.

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25X1A 3. We would like to express our appreciation to the
Auditors who did the report, for the assistance and guidance
that they provided to the [REDACTED] during their stay.

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[REDACTED]
Harry E. Fitzwater

Attachments

- Att 1 - Statement from GSI Manager
- Att 2 - Sales Store Quarterly Report

Distribution:

- Orig & 1 - Addressee (w/atts)
- 1 - DTR (w/atts)
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Dep/Sup/ [REDACTED] (4 Oct 76)